

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL MEMORANDUM

SB 644 – HB 1715

April 22, 2009

SUMMARY OF AMENDMENT (006424): Deletes all language after the enacting clause and prohibits the Bureau of TennCare from requiring prior authorization, implementing step edits or prescription limits, or otherwise restricting single source or brand name multi-source antineoplastic or antiviral drugs prescribed solely for the treatment of cancer or HIV/AIDS. The bill as amended does not prohibit the Bureau of TennCare from conducting utilization review on these drugs.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures – \$2,519,400

Increase Federal Expenditures - \$7,222,400

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumptions applied to amendment:

- According to the Bureau of TennCare, utilization management, including preferred drug lists, point of sale edits, prior authorization processes, and other prescription limits has reduced the per member per month rate by approximately \$62.80 resulting in pharmacy savings of \$779,342,976 ($\$62.80 \times 12 \text{ months} \times 1,034,160 \text{ enrollees}$) in calendar year 2008.
- Approximately five percent of the program's total pharmacy expenditures are for medications used almost exclusively for cancer and HIV/AIDS treatment. It is estimated that the prohibition of utilization management will prevent TennCare from realizing the savings for these drugs.
- Assuming that five percent, or \$38,967,149 ($\$779,342,976 \times .05$), of the total savings would no longer be realized is unrealistic because many of the drugs do not currently count against benefit limits and the Bureau

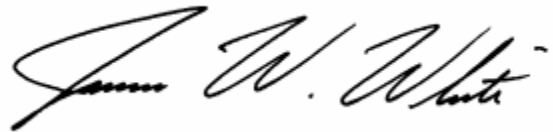
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assumes that medically necessary exceptions will still be made. Currently, these drugs are limited through prior authorization and certain types of edits.

- The Bureau estimates that approximately 75 percent would not be realized, resulting in an increase in expenditures of \$9,741,787 (\$38,967,149 x .25).
- Of the \$9,741,787 increase, \$2,519,421 will be state funds at a rate of 25.862 percent and \$7,222,366.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

/kml